Good mattei v. hopper essay example

Business, Customers

Facts

Mattei, the plaintiff, was a developer of real estate who planned to build a shopping center on the land that belonged to the defendant, Hopper. After several months of negotiations, the defendant agreed to sell the land to the plaintiff. The parties reduced their agreement to the writing form commonly known as deposit receipt. Under the terms of receipt, the plaintiff had to pay $ 1, 000 of the total price of $57, 500. On the expiration of the 120 day period, the full purchase price had to be paid. Along with this term, the deposit receipt also stipulated for a satisfaction clause. According to this clause, Mattei would be excused from the performance of the contract if he could not make necessary satisfactory leases of the shopping center. Plaintiff paid $ 1, 000 deposit to the real estate agent. Before the agreed 120 days period elapsed, the defendant`s attorney had notified plaintiff that his client would not sell the land according to the terms of deposit receipt. As soon as satisfactory leases were obtained, the plaintiff offered the defendant the full purchase price for the land. Defendant failed to tender the deed and the plaintiff sued the defendant for damages resulting from the contract breach.

Issue

The issue in the following case is whether the satisfaction clause contained in the deposit receipt is an illusory promise which results in the lack of mutual obligation thus making the contract unenforceable.

Rule of law

Consideration is an exchange of mutually binding promises between the promisor and the promisee. There is no enforceable contract without a consideration based on the promises that create mutual obligations for the contracting parties. A promise is a manifestation of intention to act or refrain from acting which makes a promisee believe that a commitment has been made (Restatement (Second) of Contracts §2).

Illusory promise is a promise that on the face of it appears to promise something to the promisee, i. e. to create a legal obligation, but in fact, it does not commit the promisor to anything. The performance of such promise is entirely optional with the promisor which makes it an insufficient consideration. At the same time, seemingly illusory promise may be considered to be an enforceable promise if it is found that such promise created for a promisor a duty to exercise good faith. Thus, the promise to follow the principles of good faith creates a binding and sufficient consideration (Seymour Grean & Co. v. Grean, 1948)

Argument for the Defendant

Despite the fact that the plaintiff and defendant have concluded a written agreement as to the sale of the land, the contract is unenforceable due to the lack of sufficient consideration. According to the contract, the plaintiff was given one hundred and twenty days period to examine the title and consummate the purchase. The following period was also to be used as time necessary to arrange all satisfactory leases of space in the shopping center. Only when all lease arrangements are made, the plaintiff would be committed to pay the balance of the purchase price and take the title of the land. If, however, the plaintiff fails to make such arrangements within the given period, he will be entitled to refuse the contract and the payment of the purchase price. It seems that this condition makes the promise to pay the purchase price of the land illusory. The plaintiff is not actually bound by his promise as he is always free to claim that he could not find the clients who would rent space in his shopping center and thus avoid the contract. In this case, the performance of the promise is entirely optional with the plaintiff as there is no objective legal standard that would guarantee the performance of this promise. The contract is enforceable only when it has a sufficient consideration that is an exchange of mutually binding promises. The illusory promise is not a sufficient consideration as it does not actually bind the promisor. Therefore, the following contract is unenforceable.

Argument for the Plaintiff

It is true that in the given case the promise to perform contractual duty to pay the purchase price depends on the promise that on the face of it appears to be illusory – the plaintiff can withdraw from his duty at his own pleasure. At the same time, the rule of illusory promise has certain exceptions. If the issue of satisfaction depends on judgment, the promisor is bound by the principle of good faith, in other words, the promisor must exercise good faith when making a judgment about satisfaction issue. The given situation falls under this exception. While it is hard to apply an objective standard of a reasonable person to a case of " obtaining leases satisfactory to the purchaser", the purchaser is still bound to act in good faith. Thus, the requirement to act in good faith makes the illusory promise claimed by the defendant real and binding obligation; a valid consideration is present in a contract between the plaintiff and the defendant. Therefore, a mutual and binding obligation between the parties makes the contract enforceable.

Conclusion

Based on the arguments of the parties, it seems that there was indeed an obligation to act in good faith which rules out the claim of illusory promise. Most likely, the judge will rule for the plaintiff.

Works Cited

- Seymour Grean & Co. v. Grean, 82 N. Y. S. 2D 787 (App. Div. 1948)

- Restatement (Second) of Contracts: Promise, Promisor, Promisee §2 (1981)